

**NEW ORLEANS MUNICIPAL
YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH INDEPENDENT
AUDITORS' REPORT**

For the Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **NOV 16 2011**

NEW ORLEANS MUNICIPAL YACHT HARBOR
MANAGEMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

We were engaged to audit the accompanying statements of financial position of New Orleans Municipal Yacht Harbor Management Corporation, a proprietary component unit of the City of New Orleans, as of December 31, 2010 and the related statements of revenues, expenses and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management.

We were unable to obtain written representations from management of the Corporation as required by generally accepted auditing standards. We were also unable to test the Corporation's compliance with laws and regulations because we were unable to obtain a completed and signed Louisiana Compliance Questionnaire. We were unable to satisfy ourselves about accuracy and completeness by means of other auditing procedures. The Corporation declined to present a statement of cash flows for the year ended December 31, 2010. Presentation of such statement summarizing the Corporation's operating, investing, non capital financing and capital and related financing activities is required by accounting principles generally accepted in the United States of America.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2011, on our consideration of New Orleans Municipal Yacht Harbor Management Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 2 to 3 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because the Company has not maintained adequate accounting records for the year ended December 31, 2009. We do not express an opinion or provide any assurance on the information.

October 4, 2011

Wegmann Dazet & Company

WEGMANN DAZET & COMPANY | A PROFESSIONAL CORPORATION | CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS: AICPA PRIVATE COMPANIES PRACTICE SECTION | AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE
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NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS

As the financial manager of New Orleans Municipal Yacht Harbor Management Corporation (NOMYHMC), we offer the readers of the attached financial statements this narrative overview and analysis of the financial activities of NOMYHMC for the fiscal years ended December 31, 2010 and 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in NOMYHMC's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

NOMYHMC's total net assets decreased by \$121,859 or 5% as a result of a net operating loss of \$17,053, a non-operating expense of \$60,509 and prior period adjustments of \$44,297. These prior period adjustments resulted from changes made in conjunction with the transfer of the financial records from the City of New Orleans to NOMYHMC. Operation of the harbor continues to be adversely affected by the damage caused by Hurricane Katrina with only 25% of the boat slips available to lease and those at a discounted rate due to the absence of electricity and water for the tenants. This situation is not expected to reverse itself in 2011.

Overview of the Financial Statements

NOMYHMC's financial statements are comprised of the basic financial statements and the notes to the financial statements. Since NOMYHMC consists of a single enterprise fund, no fund level financial statements are shown.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of NOMYHMC's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of NOMYHMC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of NOMYHMC is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statement of revenues, expenses and changes in fund net assets present information showing how NOMYHMC's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Budgetary Highlights

NOMYHMC adopts an annual operating budget and an annual capital budget. The operating budget includes proposed expenses and the means of financing them. NOMYHMC's operating budget remains in effect for the entire year.

Financial Analysis

NOMYHMC's assets exceeded liabilities by \$2,250,133 and \$2,327,695 at the end of 2010 and 2009 (unaudited), respectively; this represents a decrease of \$77,562 during 2010. The unrestricted net assets were \$1,048,369 and \$1,018,061 at the end of 2010 and 2009 (unaudited), respectively. This increase in 2010 of \$30,308 was primarily the result of accrued interest on the bonds.

Total assets for 2010 increased by \$205,972 from 2009 (unaudited) primarily as a result of the increase in cash and cash equivalents and capital assets. Total liabilities increased by \$283,534 for the same period.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

primarily as a result of an increase in rental deposits reclassified from the 2009 (unaudited) statement, an increase in various accruals and a decrease in accounts payable.

The largest part of NOMYHMC's net assets are held in cash and liquid investments as the assets operated by NOMYHMC are owned by the City of New Orleans and leased to the corporation.

Capital Assets and Debt Administration

Capital assets, net of depreciation were \$31,402 and \$-0- at the end of 2010 and 2009 (unaudited), respectively.

Debt consists of a revenue bond in the amount of \$535,443, including accrued interest, at the end of 2010. This bond was issued in 1982 for major harbor repairs and is held by the National Oceanic and Atmospheric Administration (NOAA). This bond is in deferment as conditions caused by Hurricane Katrina made such deferment available and a request has been filed with NOAA to forgive this debt in accordance with the terms of the bond.

Requests for Information

This financial report is designed to provide a general overview of NOMYHMC's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report of requests for additional information should be addressed to the Chairman, New Orleans Municipal Yacht Harbor Management Corporation, 401 North Roadway, New Orleans, LA 70124.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF NET ASSETS

December 31, 2010

	2010
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,176,934
Investments	1,996,053
Accounts receivable	14
Prepaid expenses	64,138
Total current assets	<u>3,237,139</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>31,402</u>
Total noncurrent assets	<u>31,402</u>
Total assets	<u><u>\$ 3,268,541</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 20,218
Accrued expenses	52,938
Accrued payroll liabilities	19,810
Rental deposits	390,000
Revenue bonds payable and accrued interest	<u>535,442</u>
Total current liabilities	<u>1,018,408</u>
NET ASSETS	
Net assets	
Invested in capital assets	31,402
Restricted for revenue bond debt service	634,920
Unrestricted	<u>1,583,811</u>
Total net assets	<u>2,250,133</u>
Total liabilities and net assets	<u><u>\$ 3,268,541</u></u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

Revenues	
Rental income, boathouses	\$ 391,689
Rental income, slips	126,689
Other rental income	<u>57,808</u>
Total revenue	<u>576,186</u>
Operating expenses	
General and administrative	253,859
Professional services	241,960
Supplies and materials	14,815
Depreciation	3,851
Other	<u>78,754</u>
Total operating expenses	<u>593,239</u>
Operating loss	<u>(17,053)</u>
Non-operating revenues (expenses)	
Interest income	7,773
Interest expense	(30,308)
Other expense	(78,033)
Forgiveness of debt	<u>40,059</u>
Total non-operating expenses	<u>(60,509)</u>
Change in net assets	<u>\$ (77,562)</u>
Net assets	
Beginning of year, as previously stated	\$ 2,371,992
Prior period adjustment	<u>(44,297)</u>
Beginning of year, as restated	2,327,695
Change in net assets	<u>(77,562)</u>
End of year	<u>\$ 2,250,133</u>

See accompanying Notes to Financial Statements.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

1) Organization

The New Orleans Municipal Yacht Harbor Management Corporation (the "Corporation") was formed in 1972 by the City of New Orleans to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated with providing services to the general public are financed or recovered through user fees and charges; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will. The Corporation is a non-profit corporation owned by the Mayor of the City of New Orleans and administered by a Board of Directors consisting of 16 members, 14 of which are appointed by the Mayor, subject to City Council approval, and are voting members. The other two members are from the City Council and are non-voting members.

2) Summary of significant accounting principles

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

a) Measurement focus and basis of accounting and financial statement presentation

The term measurement focus is used to denote what is being measured and reported in the Corporation's operating statement. The Corporation is accounted for on the flow of *economic resources measurement focus*. The fundamental objective of this focus is to measure whether the Corporation is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Corporation's operating statement. The Corporation used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Corporation follows the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components—invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- *Invested in capital assets; net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

2) Summary of significant accounting principles (continued)

a) Measurement focus and basis of accounting and financial statement presentation (continued)

governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

b) Reporting entity

As governing authority of the Parish, for reporting purposes, the City of New Orleans (City) is the financial reporting entity. The financial reporting entity consists of the primary government (the City of New Orleans), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

- (1) Appointing a voting majority of an organization’s governing body, and
 - (a) the ability of the primary government to impose its will on that organization and/or;
 - (b) the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
- (2) Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
- (3) Organizations for which the reporting entity’s financial statements would be misleading if data of the organization was not included.

Based on the above criteria, the Corporation is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Corporation and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

c) Cash and cash equivalents

Cash includes amounts in interest-bearing and non-interest-bearing demand deposits. Under state law, the Corporation may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

2) Summary of significant accounting principles (continued)

d) Restricted assets

The Corporation, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt.

e) Accounts receivable

It is the practice of management to provide an allowance for any account in which management's opinion may not be collected based upon a review of the current status of existing receivables. Accounts receivable are shown net of an allowance for uncollectible accounts of \$11,381.

f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g) Capital assets

Capital assets are carried at cost, if purchased or at fair market value at the date of the gift, if donated. Depreciation of capital assets is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When capital assets are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	<u>Useful Lives</u>
Vehicle	5 years
Safety equipment	7 years

h) Annual and sick leave

Employees may accrue a maximum of 45 days of annual leave and an unlimited number of days of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued leave to additional days of service.

i) Concentrations of credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Corporation has not experienced any losses in such accounts. The Corporation has no policy requiring collateral or other security to support its deposits.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

2) Summary of significant accounting principles (continued)

j) Income taxes

The Corporation is owned by the Mayor of the City of New Orleans, and as such, no federal or state income taxes are assessed.

3) Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Net Assets as of December 31, 2010 as follows:

Interest-bearing demand deposits	<u>\$1,176,934</u>
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These deposits are stated as cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

The market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2010, the Corporation had \$1,183,235 in deposits (collected bank balances). Of this bank balance, \$933,235 was covered by collateral held by the pledging banks' trust department or agent in the Corporation's name and \$250,000 was covered under federal depository insurance.

Custodial credit risk is the risk that in the event of a failure of financial institution or counterparty, the Corporation would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party.

4) Risk management

The Corporation is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which the Corporation carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management believes the Corporation has adequate insurance coverage.

5) Investments

The Corporation invests monies in the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

5) Investments (continued)

The Corporation follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The Local Government Investment Pool is a "2a7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value.

6) Credit quality risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Corporation. The Corporation does not have a policy statement concerning credit quality risk in its investment policy. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. government agencies not explicitly guaranteed by the U.S. government. LAMP has been rated AAAM by Standard & Poor's Corporation.

7) Capital assets

Capital assets are summarized as follows:

	<u>2009</u>	<u>Additions</u>	<u>2010</u>
Vehicle	\$ -	\$18,169	\$18,169
Safety equipment	-	17,084	17,084
Less: accumulated depreciation	-	<u>3,851</u>	<u>3,851</u>
Total capital assets	<u>\$ -</u>	<u>\$31,402</u>	<u>\$ 31,402</u>

8) Minimum future rentals

The Corporation has entered into rental agreements which require the tenants to pay the Corporation monthly rental payments. These operating leases expire in various years through the year 2036.

Minimum future rental to be received under the various operating leases as of December 31, 2010 for each of the next five years:

2011	\$ 444,800
2012	421,800
2013	421,800
2014	421,800
2015	<u>519,000</u>
	<u>\$ 2,229,200</u>

9) Revenue bond payable

On February 8, 1982, the Corporation issued the United States Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), Revenue Bonds, 1981 Series, of the Corporation in the amount of \$3,580,134, bearing interest at a rate of 6% per annum and maturing over a period of thirty (30) years. The bond was issued to construct and acquire extensions, renovations and improvements to the New

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

9) Revenue bond payable (continued)

Orleans Municipal Yacht Harbor, in the City of New Orleans, all to the benefit of the citizens of the City. Principal and interest on the bonds are payable semi-annually on January 25 and July 25.

The Corporation defaulted on the bonds in 2009 and was granted forbearance on the remaining principal and interest payments in early 2010. The Corporation is currently waiting on Congress to rule on the issue of forgiveness. At December 31, 2010, the Corporation was not in compliance with requirements of the revenue bond covenants.

The NOAA bond obligation requires the Corporation to maintain a variety of escrow funds to support the loan, \$1,170,362, including the revenue bond payable, at December 31, 2010. The amount reserved as of December 31, 2010 for debt service was \$834,113.

10) Fair value of financial instruments

The estimated fair value of all significant financial instrument amounts have been determined by the Corporation using available market information and appropriate valuation methodologies. The Corporation considers the carrying value amounts of cash and cash equivalents, receivables, prepaid items and bonds and other payables to approximate market value.

11) Operating lease

The Corporation leases certain immovable property on the shores of Lake Pontchartrain in the Seventh District of the City of New Orleans, together with all of the buildings, improvements and component parts thereof and all rights, ways, privileges, servitudes, prescriptive rights and advantages. The lease expires in 2105. Minimum future rental payments under this lease as of December 31, 2010 are:

<u>Years ending</u>	<u>Amount</u>
2011	\$ 1
2012	1
2013	1
2014	1
2015	1
Thereafter	<u>89</u>
	<u>\$ 94</u>

12) Prior period adjustment

In the year ending December 31, 2009, the Company inadvertently overstated unrestricted net assets by approximately \$936,000, account receivables by approximately \$13,600 and understated restricted net assets by approximately \$936,000, prepaid insurance by approximately \$62,304, accrued leave by approximately \$11,100, accrued payables by approximately \$67,700 and unearned revenue by approximately \$14,200. Total income was overstated in 2009 by approximately \$44,300. As a result, a prior period adjustment has been made as of December 31, 2010.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

13) Unrestricted net assets

Unrestricted net assets consisted of the following at December 31, 2010:

Purpose

Undesignated	<u>\$1,583,811</u>
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14) Subsequent events

Management has evaluated subsequent events through October 4, 2011, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

GLIFTON W. NEWLIN
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
New Orleans Municipal Yacht Harbor Management Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

We were engaged to audit the financial statements of New Orleans Municipal Yacht Harbor Management Corporation (the Corporation) (a proprietary component unit of the City of New Orleans) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our report thereon dated October 4, 2011, we did not express an opinion on the financial statements because we were unable to obtain written representations from management of the Corporation as required by generally accepted auditing standards. We were also unable to test the Corporation's compliance with laws and regulations because we were unable to obtain a completed and signed Louisiana Compliance Questionnaire.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings responses, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings and response 2010-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses 2010-2 to be significant deficiencies.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-3.

We noted certain matters that were reported to management of New Orleans Municipal Yacht Harbor Management Corporation in a separate letter dated October 4, 2011.

New Orleans Municipal Yacht Harbor Management Corporation's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit New Orleans Municipal Yacht Harbor Management Corporation's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Corporation, and the Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

October 4, 2011

Wegmann Day & Company

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

We were engaged to audit the financial statements of New Orleans Municipal Yacht Harbor Management Corporation (the Corporation) (a proprietary component unit of the City of New Orleans) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our report thereon dated October 4, 2011, we did not express an opinion on the financial statements because we were unable to obtain written representations from management of the Corporation as required by generally accepted auditing standards. We were also unable to test the Corporation's compliance with laws and regulations because we were unable to obtain a completed and signed Louisiana Compliance Questionnaire.

Section I

Summary of Auditors' Results

- a. Significant deficiencies in internal control were disclosed by the audit of the financial statements: Yes. Material weaknesses: Yes.
- b. Noncompliance which is material to the financial statements: Yes.
- c. Significant deficiencies in internal control over major programs: N/A.
Material Weakness: N/A.
- d. The type of report issued on compliance for major programs: N/A.
- e. Any audit findings which are required to be reported under section 501(a) of OMB Circular A-133: N/A.
- f. Major programs: N/A.
- g. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- h. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- i. A management letter was issued: Yes.

Section II

Financial Statement Findings

No. 2010-1

Louisiana Compliance Questionnaire

Criteria

Under Louisiana statute, the Corporation is required to complete, adopt and sign the Louisiana Compliance Questionnaire. The questionnaire is filed with the Legislative Auditor of the state of Louisiana as part of the financial audit due June 30th of each year.

Condition

The Corporation did complete, adopt and sign the Louisiana Compliance Questionnaire.

Cause

The Corporation's 2010 financial reporting process was impacted by a change in personnel.

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

<i>Effect</i>	The Corporation did not comply with the state statute.
<i>Recommendation</i>	The Corporation should evaluate policies, procedures, controls, and resources to ensure the Louisiana Compliance Questionnaire is completed, adopted and signed timely to ensure compliance with the requirements of the state statute.
No. 2010-2	Segregation of duties
<i>Criteria</i>	A fundamental concept in a good system of internal controls is segregation of duties.
<i>Condition</i>	The Corporation does not have adequate segregation of duties.
<i>Cause</i>	The Corporation's office staff consists of two people.
<i>Effect</i>	The potential for misappropriation of assets and/or financial statement misstatement.
<i>Recommendation</i>	Although the small size of the Corporation's office staff limits the extent of separation of duties, we recommend that Corporation should take basic steps to separate incompatible duties such as access to both physical assets and the related accounting records or to all phases of a transaction in addition to Board oversight.
No. 2010-3	Legislative auditor deadline
<i>Criteria</i>	Under Louisiana statute, the Corporation is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the state of Louisiana by June 30 th of each year.
<i>Condition</i>	The Corporation did not meet the deadline for reporting to the state of Louisiana.
<i>Cause</i>	The Corporation's 2010 financial reporting process was impacted by a change in personnel.
<i>Effect</i>	The Corporation did not comply with the state statute.
<i>Recommendation</i>	The Corporation should evaluate its financial reporting policies, procedures, controls, and resources to ensure its financial statements are submitted to the Legislative Auditor in accordance with the requirements of the state statute.
<u>Section III</u>	<u>Federal Award Findings and Questioned Costs</u>
Not applicable.	

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT				
Audit Findings	Proposed Corrective Action	Anticipated Completion Date	Contact Person	
2010-1 Louisiana Compliance Questionnaire The Corporation did not comply with the requirement to complete, adopt and sign the Louisiana Compliance Questionnaire.	The Corporation will hire counsel during Q4 2011 to address our compliance with all applicable rules and regulations.	FYE 2012	President	
2010-2 Segregation of duties Failure to provide adequate segregation of duties.	Segregate duties of the Corporation personnel to mitigate inherent risks.	FYE 2012	President	
No. 2010-3 Legislative auditor deadline The Corporation did not meet the deadline for submission of the audit report to the Legislative Auditor.	Submit Audit Report on a timely basis.	FYE 2012	President	
SECTION II MANAGEMENT LETTER				
No. 2010-4 Accounts receivables According to the boat registration for boat slip # W167, the length of the boat is 42 feet. The Corporation is billing the renter based on a boat length of 46 feet. We recommend the Corporation issue a credit memo for the amount overcharged and correct the billings going forward.	Issue credit and correct billing on a go forward basis.	Q4 2011	President	

NEW ORLEANS MUNICIPAL YACHT HARBOR MANAGEMENT CORPORATION
(A PROPRIETARY COMPONENT UNIT OF THE CITY OF NEW ORLEANS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

<p>No. 2010-5 Lease agreement</p> <p>The Corporation does not have a current lease agreement on file for boathouse # 132. We recommend the Corporation obtain an executed copy of the current lease.</p>	<p>Obtain executed lease with Boathouse # 132.</p>	<p>Q4 2011</p>	<p>President</p>
<p>No. 2010-6 Cash disbursements</p> <p>Blank checks are being stored in an unsecured location, such as a file drawer. We recommend that blank checks be kept in a locked box or cabinet accessible only to those with proper authorization and that the checks periodically be accounted for.</p>	<p>Provide lock box for blank checks.</p>	<p>Q4 2011</p>	<p>President</p>
<p>No. 2010-7 Information technology</p> <p>We understand the QuickBooks file is currently not password protected. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the Company institute a policy that requires the use of passwords. We also recommend the passwords be changed on a regular basis.</p>	<p>Password protect QuickBooks file.</p>	<p>Q4 2011</p>	<p>President</p>
<p>No. 2010-8 Subleases</p> <p>The Corporation was not charging the annual sublease fee as stated in the lease agreements.</p>	<p>Charge Sublease fee.</p>	<p>Currently in effect</p>	<p>President</p>

CLIFTON W. NEWLIN
ROBERT D. WATKINS
EDWARD G. BERBUESSE, JR.
JON S. FOLSE



WEGMANN DAZET & COMPANY

MARK D. BOHNET
LISA D. ENGLADE
KERNEY F. CRAFT, JR.
JONATHAN P. KOENIG

October 27, 2011

New Orleans Municipal Yacht Harbor Management Corporation
401 North Roadway
New Orleans, Louisiana 70124

MANAGEMENT LETTER

We were engaged to audit the financial statements of New Orleans Municipal Yacht Harbor Management Corporation as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our report thereon dated October 4, 2011, we did not express an opinion on the financial statements because we were unable to obtain written representations from management of the Corporation as required by generally accepted auditing standards, and we were unable to obtain a completed and sign Louisiana Compliance Questionnaire.

As part of our examination, we have issued our report on the financial statements, dated October 4, 2011, and our report on internal control and compliance with laws, regulations, contracts, and grants, dated October 4, 2011.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

- Suggestion 2010-4: According to the boat registration for boat slip # W167, the length of the boat is 42 feet. The Corporation is billing the renter based on a boat length of 46 feet. We recommend the Corporation issue a credit memo for the amount overcharged and correct the billings going forward.
- Suggestion 2010-5: The Corporation does not have a current lease agreement on file for boathouse # 132. We recommend the Corporation obtain an executed copy of the current lease.
- Suggestion 2010-6: Blank checks are being stored in an unsecured location, such as a file drawer. We recommend that blank checks be kept in a locked box or cabinet accessible only to those with proper authorization and that the checks periodically be accounted for.
- Suggestion 2010-7: We understand the QuickBooks file is currently not password protected. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the Company institute a policy that requires the use of passwords. We also recommend the passwords be changed on a regular basis.

Suggestion 2010-8: The Corporation was not charging annual sublease fees on sublet boathouses as stated in the lease agreements. It is our understanding that the Corporation is aware of this and has started collecting these fees in 2011.

We recommend management address the foregoing issues as an improvement to operations.

Wegmann Dazet & Company

A handwritten signature in cursive script that reads "Wegmann Dazet & Company". The signature is written in dark ink and is positioned below the printed name of the company.